

Statement by
Congressman Tim Holden
Hearing to review the availability of credit in rural America
House Agriculture Subcommittee on
Conservation, Credit, Energy, and Research
March 27, 2007

I would like to welcome our witnesses and guests to today's hearing. I hope this hearing will provide a good perspective of how we can best help our agricultural producers and rural residents obtain credit and create opportunity for development.

Farmers have opportunity for credit from several sectors. The Department of Agriculture's Farm Service Agency issues direct loans and offers guarantees on loans made by commercial lenders. But FSA is only a lender of last resort for those who cannot obtain credit from the market.

The Farm Credit System, like commercial banks, makes loans to creditworthy farmers, and is *not* a lender of last resort. The Farm Credit System was created to provide a permanent, reliable source of credit to U.S. agriculture. Back in the early part of the last century, credit was often unavailable or unaffordable in rural areas. Many lenders avoided such loans because agriculture was such a risky business. So Congress created the Farm Credit System, which is authorized by statute to lend to farmers, ranchers, and harvesters of aquatic products. Loans may also be made to finance the processing and marketing activities of these borrowers, for home ownership in rural areas, certain farm- or ranch-related businesses, and agricultural, aquatic, and public utility cooperatives.

Commercial banks also lend to agricultural producers and businesses, as well as rural homeowners. Other sources of credit for agriculture include life insurance companies, and individuals, merchants, and dealers. Together, commercial banks, life insurance companies, and individuals and others provide 63% of total farm debt, without federal support or mandate.

Both the farm credit system and commercial banks also work collaboratively with each other, and with farm and commodity groups, agribusinesses, rural businesses, and civic leaders in search of financial solutions to a wide range of service and product needs.

This hearing today will review the availability of credit in rural America. I hope we can answer the questions: Are we doing enough to assist beginning and

young farmers and ranchers to obtain credit? And are agricultural credit needs being met across America?

I look forward to hearing from the witnesses.